

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED JANUARY 10, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Eight copies of this public document were produced at an approximate cost of \$19.44. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3611 or Report ID No. 06401598 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

December 13, 2006

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

As part of our audit of the University of Louisiana System's financial statements for the year ended June 30, 2006, we considered the University of Louisiana at Lafayette's internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the university's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered the University of Louisiana at Lafayette's internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the university's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The financial information provided to the University of Louisiana System by the University of Louisiana at Lafayette is not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. The university's accounts are an integral part of the University of Louisiana System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the University of Louisiana at Lafayette for the year ended June 30, 2005, we reported a finding relating to unlocated movable property. That finding is addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2006.

Unlocated Movable Property

For the second consecutive year, the University of Louisiana at Lafayette reported significant amounts of movable property that could not be located. The university's property report disclosed approximately \$717,059 of unlocated movable property over the past four years. Of that amount, items totaling \$164,580 were removed from the property records because they had not been located for the fourth consecutive year and

current year unlocated movable property items totaled \$277,148. During the current year inventory, the university's corrective action procedures resulted in locating movable property items totaling \$324,850 that were previously reported as unlocated. In addition, movable property items totaling \$124,958 have been found since the university submitted its property report on March 24, 2006. The annual property report disclosed that the university had items totaling \$49,002,085.

Louisiana Revised Statute 39:325 requires entities to conduct an annual property inventory of movable property and report any unlocated movable property to the Louisiana Property Assistance Agency. Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted.

Failure to maintain adequate control over movable property increases the risk of loss arising from unauthorized use of property and subjects the university to noncompliance with state laws and regulations. In addition, because of the nature of services provided by the university, there is an increased risk that sensitive information could be retrieved improperly from the missing computers and/or computer-related equipment as unlocated computers and computer-related equipment totaled \$540,928.

Management should ensure established procedures for safeguarding assets are followed and should continue devoting additional efforts to locating movable property reported as unlocated in previous years. Management concurred in part with the finding noting that the university's discrepancy rate is very low and in accordance with discrepancy rates of agencies statewide (see Appendix A, pages 1-2).

Additional Comments: The amount of missing computers and/or computer-related equipment of \$540,928 includes items such as projectors and scanners that were not considered in the university's total of computer equipment of \$444,249 in its response. In addition, the university's response amount was not determined from the unlocated property listing that accompanied its property report of March 24, 2006, which we used.

Control Weaknesses Over Computer System Access

The University of Louisiana at Lafayette did not maintain adequate control over access to the university's computer system. Good internal control ensures that access to data is limited to employees with a business need, and access is removed in a timely manner for those employees who have retired, terminated, or transferred to a different department, or who, for other reasons, no longer have a business need.

During a review of the university's information technology (IT) security for the fiscal year ended June 30, 2006, the following weaknesses were noted:

- Tests of a sample of 12 screens that displayed critical information or enabled critical input/changes/deletions of data revealed that various employees with no business need and employees who had transferred to other departments still had access to those screens. In addition, seven employees who were terminated or retired still had access to those screens.
- Additional testing of terminated/retired employees disclosed that four of nine employees (44%) tested who terminated within three months of our test date still had active User IDs.
- Incompatibility of functions exists because IT programming personnel have access to production programs and live data. This access increases the risk that unauthorized changes to data could be made and remain undetected.

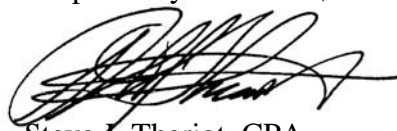
These conditions exist because of the lack of monitoring of computer system access to ensure a proper business need. As a result, the risk exists that data could be accessed and modified without proper authorization, review, and approval and that errors or fraud could occur and not be detected timely.

Management should establish IT security policies and procedures to ensure effective monitoring of the university's computer system access, which should be limited to employees with a business need. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the university. The nature of the recommendations, their implementation costs, and their potential impact on the operations of the university should be considered in reaching decisions on courses of action.

This letter is intended for the information and use of the university and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to the appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



University of Louisiana at Lafayette

Office of the President

P. O. Drawer 41008
Lafayette, LA 70504-1008
(337) 482-6203
Fax: (337) 482-5914
e-mail: president@louisiana.edu

November 27, 2006

Université des Acadiens

REVISED

Mr. Steve Theriot
Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Legislative Audit Finding - Unlocated Movable Property
University of Louisiana at Lafayette

Dear Mr. Theriot:

This response is in reference to the November 10, 2006 letter indicating an audit finding regarding unlocated movable property at the University of Louisiana at Lafayette.

The finding indicates that the University has significant amounts of movable property that could not be located. Our agency's reportable current year total is \$277,148, which represents **0.57 percent, or one half of one percent** discrepancy rate (\$49,002,085 total inventory). Our agency's three-year cumulative total of unlocated property currently is \$513,495 of \$50,406,934, which is **one (1) percent** of total movable property assets.

In reference to the fourth consecutive year total of \$164,580, of the 78 items removed from property records, only four (4) items with an **acquisition value** of \$7,377, were less than five years old. These items were removed in accordance with LAC 34.VII.313.F.10. This section of the code also states, "efforts must continue to locate the missing items". As mentioned in the finding, \$124,958 of unlocated property has been located since March 24, 2006, which clearly indicates that the University is finding lost equipment. Please be aware that the University has always complied with this section of the code in its entirety.

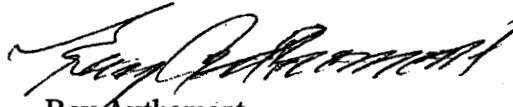
The University does not fully concur with the finding of unlocated computers and computer-related equipment totaling \$540,928. The total amount of unlocated computer equipment (defined as all computers, computer monitors and computer printers) for the four-year period referenced in this finding is actually **\$444,249 or sixty-two (62) percent** of total items unlocated (\$717,059). The makeup of the University's inventory shows that **fifty-six (56) percent** of the total inventory is computer equipment, so the amount of unlocated computer equipment is a representative sample of the University's total inventory.

Mr. Steve Theriot
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November 27, 2006

The University concurs in part with the finding that we should always devote additional efforts to locating movable property reported as unlocated in previous years. Directives are issued by the Property Control Department for departments to search for previously reported unlocated property. In addition, failure of departments to reduce the amount of unlocated property will result in reduced or ceased equipment purchases for that department unit.

We believe our discrepancy rate for this current year and previous years are very low and in accordance with the discrepancy rates of agencies state-wide.

Sincerely,



Ray Authement
President

jl

C: Vice President Raymond Blanco
Mr. David L. Walker
Mr. Allan Duplantis



Office of the President

University of Louisiana at Lafayette

P. O. Drawer 41008
Lafayette, LA 70504-1008
(337) 482-6203
Fax: (337) 482-5914
e-mail: president@louisiana.edu

Université des Acadiens

November 14, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Below is our response to the finding from the Legislative Audit for the University of Louisiana at Lafayette dated November 1, 2006.

Control Weaknesses Over Computer Systems Access

We concur with the finding that the internal controls of access to the computer systems were not sufficient to remove individuals who leave the institution in a timely fashion.


Della Bonnette, Vice President for Information Systems, is responsible for the corrective actions taken below.

1. The IT Security Committee has met and approved the Policy on Computer Accounts and Access to Administrative Systems (see attached policy) which has been incorporated into the *Computer and Network Policy* available on the website and requires the prompt removal of access to data when an individual no longer has a business need for that access. This includes individuals who move from one department to another within the institution and for those who leave the institution due to termination, retirement, or resignation. This removal will be run on a weekly basis or sooner if requested by the department. A person who transfers to another department will have to submit documentation with appropriate signatures to gain access to the data in the new office for which there is a business need for access.
2. Access privileges on the administrative system have been checked to remove all those who are not currently active employees with a business need for access. An internal check to verify the removals will be completed by November 30, 2006.
3. Information technology programming personnel will no longer have access to execute production programs and to modify live data. This change will be effective November 30, 2006 to allow for training of administrative users. In the interim, all access will be logged and reviewed on a weekly basis.

Mr. Steve J. Theriot
Page 2
November 14, 2006

I wish to thank the Audit Team for pointing out these possible risks.

Sincerely,


Ray Authement
President

jl

Attachment

C: Mrs. Della Bonnette